UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

SEMINAR ON THE PROMOTION OF COOPERATION BETWEEN COMMODITY PRODUCING COUNTRIES

Abidjan, Côte d'Ivoire, 6-7 June 1991

This seminar was organized by the Government of Côte d'Ivoire in collaboration with UNCTAD. The draft report was approved by the participants in the meeting on the understanding that the text would be revised by the authorities of Côte d'Ivoire in the light of the comments made. At the request of Mr.Alain Gauze, Minister-Delegate in the office of the Prime Minister of Côte d'Ivoire, this final version of the report is being circulated to delegations within the framework of the informal encounters being held in preparation for the eighth session of the United Nations Conference on Trade and Development.

The report does not seek to give a detailed account of opinions expressed by the participants and does not necessarily reflect those of the authorities of Côte d'Ivoire or those of the UNCTAD secretariat.

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Introduction

1. As part of preparations for the eighth session of the United Nations Conference on Trade and Development, a seminar on "The Promotion of Cooperation between Commodity Producing Countries" took place on 6 and 7 June 1991 in Abidjan; it was attended by representatives from countries of Africa, Latin America and Asia which are among the principal producers of coffee, cocoa, natural rubber, cotton, palm oil and wood. This meeting, organized by the Government of Côte d'Ivoire in collaboration with UNCTAD and with the financial support of the French Government, was chaired by Mr. Alain Gauze, Minister-Delegate Responsible for Commodities in the office of the Prime Minister of Côte d'Ivoire.

2. The seminar's aim was to promote an exchange of views on three topics:

(i) Analysis of the present situation regarding commodities;

(ii) Factors capable of revitalizing cooperation between producer countries;

(iii) Relations with consumer countries.

3. The present report summarizes the discussions which took place on each of these items and constitutes a contribution to current thinking on the question of commodities within the framework of preparations for UNCTAD VIII.

ANALYSIS OF THE PRESENT SITUATION REGARDING COMMODITIES

4. The debate on this item, introduced by a member of the UNCTAD secretariat, dealt mainly with questions relating to the structure of supply and demand and to the functioning of commodity agreements.

5. The participants emphasized that, since the end of the 1970s, commodity prices have fallen to the detriment of numerous developing countries. The situation continues to be unfavourable and particularly affects countries which depend heavily on a few commodities.

6. In order to maintain their foreign exchange earnings and ensure continuity of revenue and employment for the producers themselves, these countries have no choice but to offset the drop in prices by increasing the volume of exports. This process leads to a paradoxical situation whereby the tendency towards falling commodity prices and the tendency towards a surplus in supply mutually reinforce each other.

7. The link between a somewhat disorderly production situation, and persistently low prices must constitute the primary motivation for cooperation between producer countries.

8. For many years lack of cooperation has resulted in an inadequate exchange of information which should in future take place regularly and should relate to quantities produced, prices, and medium- and long-term market trends. Producers need an information system which is accessible and easy to use in order to better harmonize their policies and adapt them to market conditions. Such a system would facilitate decision-making in such fields as production, diversification and exports. Generally speaking, greater transparency is needed among producer countries in order to enable them to manage their commodity economies together and to adjust their production programmes accordingly.

9. The participants emphasized that there was not enough vertical diversification and that in future it ought to play an essential role in reducing the dependence of developing countries on raw materials.

10. Producers themselves need to be given more responsibility by participating directly in the improvement of production and marketing processes, and in assuming the risks involved in taking decisions in this area. Producers should also turn their attention to the home market so as to help make it more dynamic.

11. A reference was made to the influence of commodity traders and industrialists who hold the real power in international transactions. Consequently, it seems necessary to develop a relationship with private operators which takes this influence into account. Since consumer prices are tending to rise while commodity prices are falling, it is particularly appropriate to explore ways of enabling producers to share in the distribution of the value added charged by transnational operators in the commodity sector.

12. It was also noted that these operators, traders and industrialists have built up large stocks, representing several months' consumption, and that this situation is not conducive to a recovery in prices.

13. In this context, the participants considered the question of commodity agreements. In the present conditions of a general surplus, it is difficult to imagine that commodity agreements could succeed in supporting prices without promoting harmonization of production policies. The organization of producer countries is thus an indispensable condition for revitalizing commodity agreements.

14. Reasonable and equitable price levels should be attained under these agreements.

15. In particular, if nothing is done to revive those agreements which are at present frozen by the suspension of economic clauses, the prices of the products concerned will remain depressed. This is the essential role to be played by the harmonization of production policies, which is indispensable for the re-establishment of economic clauses.

16. The idea of creating a common stabilization fund in each country was put forward. This would involve setting aside savings during a period when agreements are working efficiently and using them to ensure a degree of continuity of income for producers themselves during a period of reorganization.

17. Environmental concerns should be taken into consideration in agreements. Price-setting ought to take account of the need for sound management of natural resources.

FACTORS CAPABLE OF REVITALIZING COOPERATION BETWEEN PRODUCER COUNTRIES

18. This item was introduced by Mr. Guy Alain-Emmanuel Gauze, Minister-Delegate Responsible for Commodities in the office of the Prime Minister of Côte d'Ivoire. The discussions which followed his introduction focused mainly on cooperation in controlling supplies and in production policies.

19. Producer countries can influence market conditions through concerted action on supply. The ability to use such measures varies, depending on whether the product is exported by a few or many countries. Natural rubber,

cocoa and palm oil come from a small group of large producer countries. The case of palm oil is rather complicated since other vegetable oils are produced in many countries. Coffee and cotton involve a large number of producer countries.

20. One of the difficulties in organizing supply is the emergence of new producers and exporters while most of the traditional producers have maintained or increased production. There is thus a conflict between traditional producers wanting to preserve their market shares and new entrants aspiring to gain a foothold in the market.

21. National commodity policies, particularly those aimed at increasing commodity production and exports, in turn affect the supply situation.

22. To remedy this situation, collective action could be taken in the interest of all producer countries, while recognizing the freedom of each country to determine its own trading policy.

23. Over and above the particular situation of each country, similar problems and a community of interests call for vigorous interaction among all producer countries. This interaction could enable them to take a comprehensive view of the situation regarding the principal commodities, and to examine how sacrifices could be accepted and opportunities best used.

24. In this context, coordination among the producer countries concerned, focused on policies relating to the commodity sector, could be established. It would need to function flexibly and pragmatically, and in particular to respect the renegotiating mechanisms of each product organization. Countries participating in this coordination could request technical assistance from UNCTAD.

25. Producer associations could promote the coordination of efforts to improve production methods and policies. In this area, associations such as the Inter-African Coffee Organization (IACO) and the Cocoa Producers' Alliance could play a positive role. Reference was made to one of these which has drawn up a programme for the improvement of existing plantations. Sources of finance have been approached, but have refused to support the project; this refusal could not have been due to a negative assessment of market prospects, since funds have been made available for other producers.

26. Developing countries which have already adapted to certain technologies could enable others which have not yet done so to benefit from their experience. Through technological progress and additional measures, several countries have succeeded in increasing their productivity and adjusting their manufacturing costs to world prices. Some countries have in addition acquired extensive experience of the complex mechanisms of futures and options markets. These examples can be followed with success by other producer countries.

27. Developing countries will have to undertake joint promotion campaigns in order to increase consumption.

28. Commodity organizations will have to set up projects in order to profit from the resources of the Common Fund for Commodities.

RELATIONS WITH CONSUMER COUNTRIES

29. This item was introduced by a member of the UNCTAD secretariat, and the discussion then concentrated on the participation of producer countries in marketing processes, technical and financial cooperation to support diversification, and access to the markets of developed countries.

30. More direct access to information can contribute greatly towards improved management of the commodity sector in developing countries. Cooperation with the developed countries would enable them to benefit from the technical assistance needed in this field.

31. The developing countries can try to increase contacts with marketing agents - particularly, in certain cases, through investing in marketing companies. With the support of donors they can be incorporated into marketing processes and benefit from the associated advantages.

32. Various possibilities of joint ventures in the commodity sector are open to developing countries. Some countries already have experience of controlling upstream and downstream processes.

33. A number of developing countries have succeeded in progressively reducing the role of commodities in their economies through a coherent programme of vertical diversification. There is a need to promote cooperation with consumer countries in order to set up programmes of vertical and horizontal diversification. Cooperation should first focus on an accurate evaluation of the country's resources and the prospects in the world market. Such an evaluation calls for a thorough analysis of the problems associated with production techniques and market operations, and it must lead to well-founded feasibility studies. External support is especially necessary in this field since many developing countries, particularly the poorest, have insufficient human resources and lack the necessary basic information.

34. The appreciable advantages of technology are likewise beyond the reach of most developing countries which depend on commodity exports. For this reason the technical and financial support of developed countries is more indispensable than ever, both in production and in processing.

35. Industries using commodities should be encouraged to set up in developing countries as part of a process of relocating production. To make such redeployment possible, the developing countries need to invest in infrastructure, increase training, make the best use of human resources and provide for changes so as to benefit from their competitive advantage in the world market.

36. It would be desirable to take steps to improve access to the markets of developed countries. Efforts will have to be made to persuade these countries to eliminate tariff barriers. It is highly desirable that the Uruguay Round negotiations should achieve significant results in this area.

37. The attitude of consumer countries concerning regulations for environmental and health protection is sometimes used as a pretext for preventing access to their markets. The development of this new form of protectionism must be prevented. In cases where environmental protection necessitates measures involving additional costs, producer countries should receive compensation to enable them to meet these costs. Furthermore, producer countries should be given the chance to make full use of opportunities to promote environmentally sound products for consumer country markets.

38. Insufficient domestic savings and the reduction of private investment make the support of donors indispensable. It therefore appears desirable that the latter should directly finance the private sector.

39. In concertation with donors and the developed countries, a distinction should be made between the role of the private sector in developing countries in the field of production, processing and marketing and the role of the government in policy formulation and the establishment of a framework for the operation of the commodity sector.

40. Lastly, it should be emphasized that the radical changes which have taken place in the countries of eastern Europe have given rise to hope for the creation of new markets for developing countries exporting commodities. However, east European countries are facing currency and insufficient revenue problems. New investment flows could improve their capacity to import commodities. The developing countries must consequently prepare themselves in order to benefit from these markets.

41. UNCTAD should further extend its activities aimed at strengthening the cooperation of developed countries in all the areas referred to above which are concerned with the question of relations with consumer countries.

List of participants

Mr. B. ACHIAYAO, Principal Trade Officer, Ministry of Tourism and Trade, Accra, Ghana

Mr. YUSOF BASIR, Deputy Secretary-General, Ministry of Primary Industries, Kuala Lumpur, Malaysia

Mr. Alain GAUZE, Minister-Delegate Responsible for Commodities in the office of the Prime Minister, Abidjan, Côte d'Ivoire

Mr. Hector HERNANDEZ, Representative for Europe, Ministry of Agriculture, Mexico City, Mexico

Mr. Kokuvi KWAMI, Trade Director, National Office of Agricultural Products, Lomé, Togo

Mr. MOCHTAR, Secretary of the Research and Development Agency, Ministry of Trade, Jakarta, Indonesia

Mr. Raphael ESPINOZA MOSQUEIRA, Advisor to the Minister of Agriculture, Lima, Peru

Mr. Cyprien NTARYAMIRA, Director General, Ministry of Agriculture, Bujumbura, Burundi

Mr. N'KONO, Secretary of State for Industrial and Trade Development, Yaoundé, Cameroon

Mr. Fouad REDA, Under-Secretary for Foreign Agricultural Relations, Ministry of Agriculture, Cairo, Egypt

Mr. Georges REMY, Director of International Trade Relations, Ministry of Trade, Antananarivo, Madagascar

Dr. Nestor OSORIO, Permanent Delegate of Colombia to the International Coffee Organization, London

Observers

Mr. Alejandro ORTIZ, Director of International Cooperation, Ministry of Agriculture, Sarh, Mexico

Mr. Gérard ZEZE, Office of the Minister of Trade, Yaoundé, Cameroon

Mr. KAMGA, Secretary-General of the Cocoa Producers' Alliance, Lagos, Nigeria

Mr. Arega WORKU, Secretary-General of the Inter-African Coffee Organization (IACO), Abidjan, Côte d'Ivoire

Mr. Marie-Martin NZIE, Secretary-General of the African and Malagasy Coffee Organization (OAMCAF), Paris, France

Representatives of the following Côte d'Ivoire bodies also attended the meeting as observers: Ministry of Commodities, Ministry of Foreign Affairs, Ministry of Finance, Ministry of Agriculture, and Stabilization Fund.

UNCTAD Secretariat

Mr. Carlos FORTIN, Deputy to the Secretary-General of UNCTAD and Director of the Commodities Division

Mr. Patrice ROBINEAU, Special Adviser to the Deputy Secretary-General of UNCTAD

Mr. PLEHN-MEJIA, Chief, Agricultural Products Section, Commodities Division, UNCTAD

Mr. Mehmet ARDA, Officer-in-Charge, General Studies Section, Commodities Division, UNCTAD